



Tropentag, October 6-8, 2009, Hamburg

“Biophysical and Socio-economic Frame Conditions
for the Sustainable Management
of Natural Resources”

Smallholder Cooperatives in the Coffee Value Chain: What Are the Requirements for Participation?

KRISTIN MAREN SETZER¹, TINA BEUCHELT², MANFRED ZELLER³

¹*University of Hohenheim, Institute for Agricultural Economics and Social Sciences in the Tropics and Subtropics, Germany*

²*University of Hohenheim, Institute for Agricultural Economics and Social Sciences in the Tropics and Subtropics, Germany*

³*University of Hohenheim, Institute for Agricultural Economics and Social Sciences in the Tropics and Subtropics, Germany*

Abstract

While sales in conventional coffee markets have been stagnant, specialty and sustainable coffees recorded continuous growth over the last five years. Coffee cooperatives pursue increased participation in these high-value chains as this is considered a promising means of reducing the livelihood vulnerability of small-scale coffee producers. Since the coffee value chain is buyer-driven, importers, roasters and retailers play major roles in defining quality and in shaping rules and conditions of participation. Development projects and research which are trying to achieve better integration of smallholder coffee cooperatives in the value chain usually neglect the requirements and necessities of the actors at the importing and processing stages. This research addresses this knowledge gap by identifying the prerequisites importers and roasters call for when undergoing a business relationship with coffee producers. The findings are based on quantitative and qualitative interviews conducted with importers and roasters of the conventional, specialty, fair trade and organic coffee sectors in Germany.

Analysis shows that the different coffee sectors have both similar and diverging prerequisites regarding coffee quality and business relationships. Apart from coffee quality, an important criterion for all sectors is the trading partner's business conduct including leadership skills of management and working behaviour of staff. Since the fair trade and organic coffee sectors focus on production techniques and/or social criteria, they are more tolerant regarding quality issues or a lack of business behaviour such as delays in communication. Roasters and importers of conventional and specialty coffee focus more on coffee quality and professional business practices. Additionally, the specialty sector calls for a large variety of different coffees with the possibility of buying small amounts and a business partner that can be held accountable for the product sold. Smallholder cooperatives have difficulty fulfilling these requirements.

Meeting the criteria of constant or high quality, respectively, and professional business conduct remains the most promising means of increasing the cooperatives' participation in all value chains. Therefore, smallholders' knowledge about ensuring coffee quality and the management and business skills of cooperative staff calls for enhanced training that

could be provided by privately funded business associations or by non-governmental or governmental organisations.

Keywords: Coffee, fair trade, high-value chains, organic, small-scale producers, smallholder cooperatives, specialty coffee